complaint

This complaint is about a payment protection insurance (PPI) policy taken out in 1996 alongside a mortgage. Mr O says Lloyds Bank PLC, Lloyds TSB Scotland at the time, mis-sold him the PPI.

my findings

I've considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding Mr O's case.

Mr O and his representative provided a lot of detail in support of this complaint. So I don't doubt the strength of feeling. I've read and considered everything they've said. However, it may be helpful to explain that the purpose of my decision isn't to address every point that's been made – it's only to provide my conclusions and reasons for them. So while I'd like to reassure Mr O and his representative that I've thought carefully about everything, my final findings will be expressed in considerably less detail.

I've decided the policy wasn't mis-sold, and I'll explain why.

Mr O says he didn't know the PPI was optional. I've considered what Mr O has said, however, based on the evidence I've seen, I think it's likely he chose to take out the policy – knowing it was something he didn't have to have. I say this because I've seen a copy of his mortgage application form where the PPI section was completed. The copy available isn't very clear, but it looks like the first part of this section included two options for the PPI – one of the boxes was ticked. Lloyds says this was a yes and no option to accept or decline the policy, and I think that's likely to be correct. Under this it appears there was a question about his eligibility for the PPI – and although I can't see what this question is exactly - I can see it was completed. There was also a box below which appeared to ask the benefit split required and, as the mortgage was taken out in Mr O's name only, was completed with "*100%*" for Mr O.

Although the application form is not clear and the signature page is not available, the PPI was added to Mr O's account so I think it's more likely than not that he ticked yes to PPI and ticked to show he was eligible for the cover. I also think it's likely he signed the application form, as after this a mortgage offer was sent out. In addition, the mortgage offer included information about the PPI – setting out the monthly premium, the party insured and that the policy benefit only covered Mr O. So I think if Mr O hadn't agreed to the policy he would've questioned this with Lloyds at the time.

Mr O says he felt pressured into taking out the PPI. But he hasn't said what happened to make him feel pressured, and I haven't seen any other evidence to support this. So I can't fairly and reasonably conclude that it's more likely than not that Mr O was pressured into taking out the policy.

Lloyds recommended the PPI to Mr O so it had to check the PPI was right for him – and based on what I've seen of his circumstances at the time, I think that it was. I say this because from the evidence I've seen it doesn't look like he would've been affected by any of the exclusions to or limits on the PPI cover and he seems to have had a need for the cover.

Mr O says he was entitled to sick pay and had some savings at the time which he could've used to make his PPI payments if he was off sick from work or made redundant. But Mr O was borrowing funds secured against his home so I think this would've been his most significant financial commitment. The PPI could've covered his mortgage repayments for up to 12 months. So I think having the policy in place would've provided him some additional security and freed up his sick pay and savings to use for other expenses. And having seen a copy of a financial review of his circumstances at the time, I can see that Mr O didn't have much money left after deducting his monthly expenses, so I think he would've struggled to make his mortgage repayments if he was off work long term. So I think he could've found the policy useful.

I've considered what Mr O says about an attempted claim on the policy being rejected. Mr O says that this shows Lloyds sold him a policy which was unsuitable for him. It's not clear from the evidence provided what this claim was for or why it wasn't successful. But, in any event, for the reasons I've already outlined above I think the PPI was suitable for Mr O at the time. And so this doesn't change my decision on what happened when the policy was sold to him in 1996.

It's possible the information Lloyds gave Mr O about the PPI wasn't as clear as it should've been. But the evidence suggests he chose to take it out - so I think he wanted this type of cover. And it seems like it would have been useful for him if something went wrong. So I don't think better information about the PPI would have put him off taking out the cover.

This means Lloyds doesn't have to pay back all of the cost of the PPI to Mr O. But Lloyds will pay back *some* of the cost of the PPI to Mr O because**:**

- Lloyds got a high level of commission and profit share (more than 50% of the PPI premium) - so it should have told Mr O about that. Because Lloyds didn't tell Mr O, that was unfair.

- To put that right, Lloyds has basically offered to pay back the amount of commission and profit share that was above 50% of the PPI premium - and I think that offer is fair in this case.

what the business needs to do

Lloyds has to pay back to Mr O any commission and profit share it got that was more than 50% of the PPI premium. Lloyds should also pay back to Mr O any extra interest he paid because of that.

Lloyds should pay back to Mr O the extra he paid each month because the commission and profit share it got was more than 50% of the cost of PPI. Lloyds should also pay Mr O 8%* simple interest on each payment.

*Businesses have to take basic rate tax off this interest. Mr O can claim back the tax if he doesn't pay tax.

my final decision

The PPI policy wasn't mis-sold – so Lloyds Bank PLC does not have to pay back all of the cost of the PPI to Mr O.

But Lloyds Bank PLC does have to pay back to Mr O any commission and profit share it got that was more than 50% of the PPI premium.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr O to accept or reject my decision before 3 February 2019.

Sienna Mahboobani
ombudsman